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RUEHCV/AMEMBASSY CARACAS PRIORITY 0572  
RUEHLO/AMEMBASSY LONDON PRIORITY 0604  
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C O N F I D E N T I A L KINGSTON 000622

SIPDIS

STATE FOR WHA/CAR (JMAC-K-WILSON) (VDEPIRRO) (WSMITH)  
WHA/EPSC (MROONEY) (FCORNEILLE) (AWONG)  
INR/RES (RWARNER)  
INR/I (SMCCORMICK)  
SANTO DOMINGO FOR FCS AND FAS

E.O. 12958: DECL: 08/20/2039

TAGS: [ECON](#) [ETRAD](#) [EFIN](#) [ENRG](#) [PINR](#) [PREL](#) [PGOV](#) [JM](#) [XL](#)  
SUBJECT: JAMAICA/VENEZUELA: ENERGY AND PETROCARIBE, WHERE  
IS THE LOVE?

REF: A. KINGSTON 614  
[1](#)B. KINGSTON 581  
[1](#)C. KINGSTON 427  
[1](#)D. KINGSTON 430  
[1](#)E. 08 KINGSTON 97  
[1](#)F. 08 KINGSTON 95  
[1](#)G. 07 KINGSTON 89  
[1](#)H. 08 KINGSTON 651  
[1](#)I. 07 KINGSTON 1793

Classified By: Isiah L. Parnell Charge d'Affaires, a.i. for reasons 1.4  
(b and d)

[1](#)1. (C) SUMMARY AND ANALYSIS: Jamaica continues to suffer under the global economic recession, but the island has been hit harder than other nations because of its high energy costs and reliance on petroleum for electricity. The lack of viable short-term solutions, and increasing dependence on the benefits afforded under the PetroCaribe agreement, have put the Government of Jamaica (GOJ) in an unenviable position. The GOJ depends on the generosity of Venezuela's President Hugo Chavez, if there are any substantive changes in the agreement it would devastate budget projections and exacerbate already deteriorating medium-term economic plans. Despite Jamaica's apparent disinterest in Chavez's Bolivarian Alternative vision, the benefits derived from PetroCaribe softened the blow of both the economic downturn and record oil prices in 2008; and helped keep Jamaica from falling into an abyss. However, if Chavez attempts to revise the terms of PetroCaribe to influence Jamaica, he is likely to win more enemies than friends. END SUMMARY AND ANALYSIS

High Energy Costs, No Solution in Sight  
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[1](#)2. (C) The 2008 rise in world oil prices set off a spike in energy prices in Jamaica and near-panic in the GOJ. The high energy costs and reduced world aluminum demand devastated the bauxite sector, which had accounted for 20 percent of GDP and had been a major source of good paying jobs, as well as tax revenue (Reftel C). Three of the island's four bauxite plants that closed may never reopen, given that at about 31 cents per kilowatt hour, Jamaica has some of the highest energy rates in the region and new competition in the sector is coming on line in Asia. On the manufacturing side, Jamaica will continue to lose plants and jobs to its regional competitor Trinidad and Tobago, which has a rate of about 3 to 4 cents per kilowatt hour.

13. (C) The GOJ needs to diversify its power generation system and embark on aggressive conservation measures, but has been slow to formulate a viable plan even after the shock of the 2008 energy crisis and the likelihood that world oil prices will trend higher. Ministry of Energy James Robertson has told Emboffs that he is close to a deal for sourcing Liquified Natural Gas (LNG), but any LNG project, if implemented, would take years to complete and would likely have a price tag to exceed USD 600 million.

#### In the Short-Term: Reliance on PetroCaribe

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14. (C) In the short-term Jamaica will remain reliant on the benefits of Venezuelan President Hugo Chavez,s PetroCaribe agreement. The GOJ uses the PetroCaribe oil both for jet fuel for Air Jamaica planes and also to run thermal generators that feed power to the national electricity grid -- thus virtually all of Jamaica,s energy production is fueled by petroleum products. ((NOTE: Under PetroCaribe, the GOJ pays Venezuela for about 60 percent of the cost of oil up front, with the remainder converted to long-term debt (25 years) at nominal interest rates of 1 percent. If oil prices rise, the amount that is deferred as loans increases as a percentage. END NOTE)). The agreement has saved the GOJ about USD 32.7 million per month for the 23,500 barrels-a-day of oil imported from Venezuela. The benefits afforded under PetroCaribe softened the blow of the economic downturn and record oil prices; and helped keep Jamaica from falling into an abyss.

#### PetroCaribe Still Not Winning JLP Friends...

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15. (C) Despite the benefits derived from the deal, the Jamaican Labour Party (JLP)-led administration appears no friendlier to the Chavez regime and its politics (Reftels D, E, F). Prime Minister Bruce Golding spoke of "cooperation8 on the energy side in the lead up to a proposed one-day visit by Chavez, part of Jamaica,s Independence Day celebration on August 6. Chavez cancelled his visit at the eleventh hour, blaming a dubious softball injury. During the proposed visit, Chavez was to have broken ground on his Simon Bolivar Cultural Center in Kingston. A few days later, Minister of Energy James Robertson was scheduled to visit his Venezuelan counterpart, but Ministry contacts told Emboffs that the trip was delayed by the Venezuelans who claimed "logistical" issues. The local press did not report that Robertson had not actually visit Venezuela as planned.

#### ...But Any Modifications Are Cause for Worry

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16. (C) In early August Chavez spoke of having to modify the terms of the PetroCaribe agreement to possibly require recipient countries to pay a higher percentage (80 percent) of costs up front; he appears to have since backed away from this position. The issue was enough to worry PM Golding, who lamented publicly that the GOJ,s current budget and medium-term economic plan is predicated on the PetroCaribe agreement as it currently exists. Golding said he hoped Chavez would be &sympathetic to the difficulties8 facing countries like Jamaica.

#### Chavez,s Warmth Towards Jamaica,s Bolivar Connection

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17. (C) Chavez,s Bolivarian Alternative vision seems to have gained little traction in Jamaica overall, as Jamaicans do not look toward the South American country with any real sense of kinship or cultural ties. Jamaicans, particularly those who would support the Opposition Peoples, National Party, are socialist in leaning, but that does not mean Chavez,s message resonates on the island. Chavez has pointed out that the statue of Simon Bolivar overlooks Jamaica,s Heroes Circle, but this fact would not strike most

Jamaicans as significant. (NOTE: Simon Bolivar spent time in Jamaica, where he survived an assassination attempt and wrote his famous &letters from Jamaica<sup>8</sup> prior to his 1819 invasion of Venezuela. END NOTE). Chavez was planning to lay a wreath at the statue during his aborted August 6 visit. He seems to have more warmth towards Jamaica than the island has towards him.

#### Addressing Energy Pressures

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¶18. (C) Emboff contacts, both within the JLP and the private sector, seem to recognize that the PetroCaribe deal is addressing one of the island's greatest needs, by alleviating some of the pressure of energy costs, but the gesture does not appear to be winning over the Jamaicans. Contacts have been quick to point out that no other country is offering oil under such favorable terms. Anecdotal evidence suggests that Jamaicans see the agreement as a fortunate short-term benefit, but most are leery of what Chavez will seek in return. There is also concern that Jamaica is not moving fast enough to prepare itself for a post-PetroCaribe environment, and needs to be taking more steps to improve energy diversification.

#### Father of the Caribbean

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¶19. (C) When speaking about Chavez with a Ministry of Energy official, he shook his head and chuckled, &Chavez, he does love to see himself as the Father of the Caribbean.<sup>8</sup> Most GOJ officials with whom Emboffs have spoken appear to view Chavez with caution, but recognize that his is currently the only country offering crucial support to the energy sector and thus do not want to jeopardize the arrangement.

#### Chavez Posturing May Create More Resentment

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¶10. (C) Jamaicans seem unemotional about PetroCaribe for the most part and tend to view the arrangement as merely a very favorable business relationship. The recent move by Chavez suggesting he might modify the terms of PetroCaribe would likely create more resentment among the Jamaicans instead of bringing them closer to his camp. Regardless of public comments made by PM Golding about &cooperation,<sup>8</sup> prior to September, 2007, as leader of the Opposition, he was deeply suspicious of Chavez (Reftel G), and has reiterated these concerns in private discussions with Emboffs since becoming PM (Reftel H and I).

PARNELL